



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Required Report - public distribution

**Date:** 3/8/2006

**GAIN Report Number:** EG6007

## Egypt

### Grain and Feed

### Annual

2006

**Approved by:**

Asif J. Chaudhry  
U.S. Embassy

**Prepared by:**

Fred Giles, Kurt Seifarth and Sherif Ibrahim

---

**Report Highlights:**

Egypt's total wheat imports are expected to remain around 7 MMT for MY 2005/06. U.S. market share continues to decline. Egypt's total corn imports for MY 2005/06 are expected to decrease by approximately 26 percent. U.S. market share in MY 2004/05 is 10 percent lower than in MY 2003/04. In MY 2004/05, Egyptian rice exports are at record levels reaching 1.06 MMT

---

Includes PSD Changes: Yes  
Includes Trade Matrix: Yes  
Annual Report  
Cairo [EG1]  
[EG]

**Table of Contents**

**Production** ..... **3**  
    Consumption ..... 4  
**Trade**..... **5**  
    Stocks ..... 6  
**Factors Affecting U.S. Trade**..... **6**  
**Production** ..... **7**  
    Consumption and Utilization ..... 7  
**Trade**..... **8**  
**Production** ..... **10**  
    Trade ..... 11

Egypt Wheat (Thousand Hectare)						
	2004		2005		2006	
	Old	New	Old	New	Old	New
Market Year Begin		07/2004		07/2005		07/2006
Area Harvested	1092	1094	1120	1260	0	1262
Beginning Stocks	1744	1900	2464	2030	0	3214
Production	6630	7177	6800	8184	0	8200
TOTAL Mkt. Yr. Imports	8150	6926	7500	7000	0	7000
Jul-Jun Imports	8150	6926	7500	7000	0	7000
Jul-Jun Import U.S.	1765	1680	0	1500	0	2000
<b>TOTAL SUPPLY</b>	<b>16524</b>	<b>16003</b>	<b>16764</b>	<b>17214</b>	<b>0</b>	<b>18414</b>
TOTAL Mkt. Yr. Exports	10	0	10	0	0	0
Jul-Jun Exports	10	0	10	0	0	0
Feed Dom. Consumption	50	60	50	65	0	70
TOTAL Dom. Consumption	14050	13973	14400	14000	0	14100
Ending Stocks	2464	2030	2354	3214	0	4314
<b>TOTAL DISTRIBUTION</b>	<b>16524</b>	<b>16003</b>	<b>16764</b>	<b>17214</b>	<b>0</b>	<b>18414</b>

## Production

Egyptian wheat is planted in October/November and harvested in April/May. The total wheat area for MY 2005/2006 is estimated at 1,260,000 HA, 15 percent more than the 2004/2005 area. For MY 2006/2007, Ministry of Agriculture experts forecast that the planted area rising slightly above the 2005/06 level. According to official data from the Ministry of Agriculture, total production for MY 2005/2006 is estimated at 8,184,000 MT, compared to 7,177,000 MT for 2004/2005. This level of production is higher than estimates given by the private sector, but there are no other reliable sources to support the data. This increase is due to the 15 percent increase in area planted. An increase in the government procurement price for wheat makes it the most profitable winter crop. Wheat area increased at the expense of clover and fava bean areas. Fava bean plantings dropped from 168,000 HA in 2004/05 to 75,600 HA in 2005/06. In addition, farmers were intercropping wheat with cotton. The government has increased the procurement price to LE 1,375/ MT (\$237) for the 2005/06 wheat crop. This is up from LE 1,208/ MT (\$208 per MT) in 2004/05. This price is higher than the current Russian and Ukrainian wheat prices (\$140/MT/ C&F or LE 820/MT).

The average yield for the MY 2004/2005 crop is estimated at 6.6 MT/HA compared to 6.5 MT/HA in 2003/04. According to the Ministry of Agriculture, all wheat areas are cultivated with new varieties (Gemmiza 7, Gemmiza 9, Sakha 93 and Giza 168), which have the potential to yield 7.6 MT/HA. The total quantity of locally produced wheat sold to the Ministry of Industry and Foreign Trade in MY 2005/2006 was 2.7 million MT as compared to 1.7 million MT in 2004/05. From the 2006/07 crop, the General Authority for Supply Commodities (GASC) plans to purchase 3.1 million MT.

## Consumption

Egypt continues to have one of the highest per capita wheat consumption levels in the world. Total consumption of wheat in MY 2005/2006 is estimated at 14 MMT including nearly 7 MMT of imported wheat. Since the beginning of MY 2005/06 (July 2005) through the end of February, the Ministry of Supply (GASC) purchased 3.36 MMT of imported wheat and 2 MMT of locally-produced wheat. It also purchased 500,000 MT of locally produced white corn to mill 82 percent extraction flour used for the subsidized baladi bread. The subsidy on baladi bread costs the government close to LE 3.8 billion last year. During the same period, private sector companies purchased 1.7 MMT of imported wheat to produce 72 percent extraction flour used in the production of high quality flat bread and European type bread products, pastries and pasta. Most of the domestic wheat crop is sold directly to consumers or retained by farmers for on-farm consumption.

Per capita consumption of wheat in MY 2005/2006 is estimated at 186 Kg. There are two reasons for the increasing wheat consumption. 1) the current foreign exchange availability has led private and public sector flour mills to import more wheat. And 2) lower-priced wheat from nontraditional suppliers such as Russia and Ukraine, have flooded the market. This led to decreases in wheat flour prices from LE 1,350 per MT to LE 1,150 per MT. Most private sector mills are currently operating at 65-75 percent capacity. Some are operating at full capacity. This is in stark contrast to a capacity rate of 40-60 percent in MY 2004/05. Prices increased for bread substitutes, such as rice and potatoes, had positive impact on wheat product consumption, such as pasta.

The Egyptian milling industry has more than adequate capacity to cover the country's need for 72 percent extraction flour. While total consumption of 72 percent extracted flour is estimated at 1.8 MMT or 2.5 MMT of wheat, the total milling capacity is currently estimated at 2.7 MMT of 72 percent flour, or 3.76 MMT of wheat. The public sector milling industry consists of 126 mills (mostly small or medium size) and has a total capacity of approximately 7 MMT per year. There are seven public sector companies that operate these mills, and all are affiliated with one holding company (Food Industries Holding Company). Of the 126 public sector mills, 109 mills are currently used for the production of 82 percent flour and 7 mills are used to produce 72 percent flour with total capacity of 6,230 MT per day (1.86 MMT annually). Shares in some of these companies have been sold to private investors over the past few years. Although the majority of shares are held by the private sector, the holding company maintains complete control of these mills. Given that wheat is a strategic commodity in Egypt, the government is expected to retain control of most of the milling industry (particularly for the subsidized baladi bread) for the foreseeable future. There are nearly 36 private held commercial mills, with total capacity of 9,000 MT per day (2.8 MMT annually). These are permitted to produce 72 percent flour only. However, some private sector mills are currently trying to obtain approval to mill 82 percent flour for the government for a fee.

## Trade

Egypt's total wheat imports are expected to remain around 7 MMT during this marketing year (2005/06). The United States continues to lose market share in the Egyptian wheat market. From the beginning of MY 2005/06 through the end of February 2006, U.S. exports accounted for 15 percent (820,000 MT) of Egyptian wheat imports and the remainder was imported from Russia, Argentina, France, and Australia. This compared with 26 percent (1,417,460 MT) during the same period in 2004/05. The decline is due to the differential between U.S. wheat prices and prices from other sources. In a tender, dated January 15, 2006, GASC purchased 60,000 MT of wheat from Russia at a reported price of \$122.50/ MT FOB, 120,000 MT from Australia at a reported price of \$127.50/ MT FOB, and 120,000 MT from France at a reported price of \$125.95/MT FOB for deliveries through the last half of February 2006. For the same tender, U.S. soft wheat was offered at \$145/MT FOB. In December 2006, the private sector purchased 214,000 MT of wheat from Russia at a reported price of \$139/ MT C&F, and 8,000 MT from Ukraine at a reported price of \$136/ MT C&F. The current official \$/LE exchange rate is 5.82.

For MY 2006/2007, Egyptian wheat imports are not expected to vary significantly from the 2005/06 level, with GASC projected to import nearly 4.6 MMT, and the rest to be imported by the private sector. This expected increase in private sector imports is due to the increased number of private sector mills that will be eligible to mill 82 percent flour for the government against fees. Imports of wheat flour have become insignificant and are now limited to international donations such as the 20,000 MT donated by France during this marketing year. Customs duties for wheat and corn are one percent plus 2 percent for other port charges.

<b>Egypt Wheat (1,000 MT)</b>			
<b>Imports from</b>	<b>MY 2003/04</b>	<b>Imports from</b>	<b>MY 2004/05</b>
U.S.	3,624	U.S.	1,680
Others		Others	
Australia	2,180	Russia	1,843
France	336	Argentina	1,262
Russia	147	France	1,130
Germany	72		
Sweden	58		
Brazil	48		
Syria	236		
Spain	4		
<b>Total for Others</b>	3,081		4,235
<b>Others not listed</b>	168		1,010
<b>Grand Total</b>	6,873		6,925

## Stocks

The Ministry of Supply and Domestic Trade has a policy of maintaining a five months supply of strategic stocks. However, due to limited storage capacity that constrains the government's target, the strategic stocks are now redefined to include wheat import purchases in the pipeline, usually in the range of three months of annual consumption. Currently, total covered storage capacity for wheat is estimated at one million metric tons, including about 350,000 MT in silos at three different ports, 250,000 MT in inland silos and 400,000 MT in open storage mostly in metropolitan areas. In addition to government storage facilities, several private sector traders and mills currently have their own receiving and storage facilities, estimated at 500,000 MT. In order to increase the storage capacity, the Ministry of Supply is currently promoting a project to encourage the private sector to build 50 inland silos with 30,000 MT capacity in different locations throughout the country. The Ministry of Supply will commit to use 60 percent of the capacity (90,000 MT) of each silos capacity at the prevailing storage fee for 5 years.

## Factors Affecting U.S. Trade

Both government and private sector buyers prefer U.S. wheat as they trust the quality control system in the United States. However, due to the current market situation namely higher prices, GASC and Egyptian milling companies are now willing to accept lower quality wheat. Both sectors are now sourcing more wheat from non-U.S. origins such as Russia and Ukraine.

U.S. Wheat Associates continues to provide trade servicing and quality seminars to Egyptian millers, wheat buyers and traders. U.S. Wheat Associates' quality seal program is widely used to promote products containing U.S. wheat. The USDA GSM-102 Program is available for both public and private sector importers of U.S. agricultural commodities, but importers no longer use the program at present citing the potential for exchange rate risk in the Egyptian market. In addition, GASC has recently expressed its concerns about offers received from U.S. wheat suppliers who offer one shipment (60,000 MT) only per tender at a competitive price.

<b>Egypt Corn (Thousand Hectare)</b>						
	<b>2004</b>		<b>2005</b>		<b>2006</b>	
	Old	New	Old	New	Old	New
<b>Market Year Begin</b>		<b>10/2004</b>		<b>10/2005</b>		<b>10/2006</b>
Area Harvested	680	708	700	710	0	715
Beginning Stocks	178	100	756	500	0	600
Production	5780	5840	5950	5860	0	5870
TOTAL Mkt. Yr. Imports	5398	4980	5300	3700	0	4000
Oct-Sep Imports	5398	4980	5300	3700	0	4000
Oct-Sep Import U.S.	3738	3547	3620	2775	0	2400
<b>TOTAL SUPPLY</b>	<b>11356</b>	<b>10920</b>	<b>12006</b>	<b>10060</b>	<b>0</b>	<b>10470</b>
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0
Oct-Sep Exports	0	0	0	0	0	0
Feed Dom. Consumption	9000	8245	9600	5791	0	5382
TOTAL Dom. Consumption	10600	10420	11300	9460	0	9870
Ending Stocks	756	500	706	600	0	600
<b>TOTAL DISTRIBUTION</b>	<b>11356</b>	<b>10920</b>	<b>12006</b>	<b>10060</b>	<b>0</b>	<b>10470</b>

### Production

The total corn area for MY 2005/2006 is estimated at 710,000 HA, of which 650,000 HA are white corn. The remainder is yellow corn. Area harvested was slightly higher than the MY 2004/05 level. The small increase in corn acreage is attributed to increasing demand in corn silage for livestock feed production. Another slight increase in corn acreage is expected in MY 2006/2007. This expected growth is mostly attributed to the increased demand for white corn by the livestock sector. In MY 2005/2006, total corn production is estimated at about 5.8 MMT. For MY 2006/2007, total production is not expected to rise significantly from the 2005/06 level.

### Consumption and Utilization

Total Egyptian corn consumption in MY 2005/06 is estimated at 9,460 MMT, compared to 10.42 MMT in the MY 2004/05. The majority of the local corn crop is utilized for animal feed (mostly consumed on farm) and about 1.5 MMT is used for food purposes (either milled or consumed fresh). Large commercial end-users and feed mills rely on imported yellow corn to meet their requirements.

There has been strong demand for feed corn in MY 2004/05 and the first quarter of 2005/06. However, this is not expected to continue during the rest of MY 2005/06. The expected decrease in Egypt's corn consumption is due to a significant decrease in corn consumption in the poultry industry as a result of consumer fears of Avian Influenza (AI). Egypt recently reported its first case of AI. Before this, consumers were reducing consumption of poultry meat and eggs based on

AI occurrences in neighboring countries. Consumption of poultry meat, eggs and grains has fallen by 40 percent, 30 percent, and 25 percent, respectively. After Egypt's confirmation of AI in several locations in Egypt, corn consumption dropped by 40 percent. In contrast, there has been a significant quantity of green corn utilized in the production of silage for both dairy and beef animal feed. There has also been increased utilization of corn in the production of the 20:80 corn-wheat composite flour for baladi bread. In MY 2005/06, about 600,000 MT of locally produced white corn is expected to be delivered to the Ministry of Supply for the production of subsidized baladi bread. For MY 2006/07, the total white corn delivery is expected to reach 700,000 MT. There is a small, but growing demand for food products containing corn (snack food). This, in addition to the increase in demand for corn oil, has helped to partially offset the decrease in demand for corn in the poultry industry.

Egypt imports nearly 400,000 MT of yellow corn annually for the production of starch and sweeteners. Approximately 2.3 MMT of corn imported in MY 2004/05 were used for poultry, 1.2 MMT were used for ruminants and 400,000 MT were used for the starch industry. However, this trend is expected to change in MY 2006/07 as a direct result of the crises facing the poultry industry. The poultry sector is exhibiting a drastic decline in corn usage in MY 2005/06, (about 40 percent) however, corn use has increased in feed for modern dairy farms and beef and buffalo fattening operations.

### **Trade**

Egypt's total corn imports for MY 2005/06 are expected to decrease by approximately 40 percent. The U.S. market share of Egyptian corn imports in MY 2004/05 was 71 percent (10 percent less than MY 2003/04); Argentina supplied the majority of the remainder. The large U.S. market share is mainly due to the availability of high quality American corn at competitive prices. This trend is expected to continue in MY 2005/06 and 2006/2007. From the beginning of MY 2005/06 (October 2005) through the end of December 2005, total Egyptian corn imports are estimated at 1,043,590 MT of which 904,742 MT came from the United States; 74,839 from Ukraine; and 64,009 MT from Argentina. This is compared with 1,013,521 MT during the same period in MY 2004. For MY 2006/07, a four percent decrease in corn imports is expected. Most industry analysts expect competition from Argentina and other suppliers of yellow corn will continue to be modest this year; the price gap between U.S. and other suppliers is expected to be marginal.

<b>Egypt (1,000 MT) Corn</b>			
	<b>MY 2003/04</b>	<b>Units:</b>	<b>MY 2004/05</b>
<b>Imports for</b>			
U.S.	3,148	U.S.	3,547
Others		Others	
Argentina	758	Argentina	1,342
		Romania	32
		Ukrania	30
		Bulgaria	25
		Malta	4
<b>Total for Others</b>	758		1433
<b>Others not Listed</b>			
<b>Grand Total</b>	3906		4980

Egypt Rice, Milled (1,000 MT)						
	2004		2005		2006	
	Old	New	Old	New	Old	New
Market Year Begin		01/2004		10/2005		10/2006
Area Harvested	640	645	640	645	0	650
Beginning Stocks	719	459	529	203	0	200
Milled Production	4160	4128	4200	4130	0	4140
Rough Production	6400	6351	6462	6354	0	6369
Milling Rate(.9999)	6500	6500	6500	6500	0	6500
TOTAL Imports	0	0	0	0	0	0
Jan-Dec Imports	0	0	0	0	0	0
Jan-Dec Import U.S.	0	0	0	0	0	0
<b>TOTAL SUPPLY</b>	<b>4879</b>	<b>4584</b>	<b>4729</b>	<b>4333</b>	<b>0</b>	<b>4340</b>
TOTAL Exports	1100	1081	1000	1100	0	1100
Jan-Dec Exports	1100	770	1000	800	0	850
TOTAL Dom. Consumption	3250	3300	3300	3033	0	3050
Ending Stocks	529	203	429	200	0	190
<b>TOTAL DISTRIBUTION</b>	<b>4879</b>	<b>4584</b>	<b>4729</b>	<b>4333</b>	<b>0</b>	<b>4340</b>

Note: Beginning with 2005/2006 data, Egypt's marketing year is defined as October - September.

## Production

Rice is the second largest summer crop in Egypt, followed by corn and preceded by cotton. Production is concentrated in the northern part of Egypt. Rice requires special irrigation, and the entire crop is irrigated. It is often planted on reclaimed land where the soil is fairly saline and has varying degrees of productivity. A limited amount of rice is also grown in the middle Delta and in Upper Egypt. With irrigation water provided free of charge and due to the higher profitability of rice over comparable summer crops (i.e. corn and cotton) some farmers shifted from cotton to rice. Although, the government targets only one million feddan (420,000 HA) for rice every year, in order to ration limited water resources, farmers always exceed the target, despite the prospect of fines of LE 600/feddan for those who violate the targets. The government rarely imposes this fine.

The total rice area planted in CY 2005 is estimated at 640,000 HA, or about 30 percent over the government target, and the same is expected for CY 2006. Total rough rice production in CY2005 is estimated at 6.35 MMT. For CY 2006, total rough rice production is expected to increase to 6.36 MMT. The average yield in 2005 was 9.8 MT per HA.

The medium grain "Japonica" variety comprises approximately 85 percent of the rice crop. This variety is preferred by Egyptian consumers to the higher-yielding long grain Philippini variety. Farmers also prefer to plant Japonica as it commands a higher price and is more easily milled in local village mills. The government's policy is aimed at producing new varieties with higher yields, a shorter period of maturity and more resistance to insects and diseases in order to save 3 billion cubic meters of irrigation water

annually for its ambitious land reclamation projects in the Southern Nile valley (Toshka). The Rice Institute of the Ministry of Agriculture has developed several new rice varieties with potential average yields of 14 MT/HA, or about 40 percent higher than the average yield of the traditional varieties. The Ministry of Agriculture estimates that the new varieties were used in close to 90 percent of the total rice area during CY 2005. The government's objective is to have the entire rice area planted with this variety by the end CY 2006.

## Trade

Egypt is a net rice exporter. Small quantities of high quality name-brand rice are imported by up-scale supermarkets. Rice exports are estimated at 1,081,301 MT during MY 2004/05, almost all short-grain varieties. For MY 2005/06, Egyptian rice exports are expected to increase slightly and reach 1.1 MMT. This increase in exports is mainly due to the considerable shortage of medium grain rice on the international market which resulted from less exportable supply in both the United States and Australia (major short-grain rice producers and exporters). The current average export price for medium and short grain is \$385 and \$360/MT/FOB, respectively. This compares to \$358 and \$335/MT/FOB for medium and short grain, respectively, during the MY 2004/05 season.

<b>Egypt Rice Milled MT</b>			
<b>Exports to</b>	<b>2004</b>	<b>Exports to</b>	<b>2004/05</b>
U.S.		U.S.	
Others		Others	
Syria	188,266	Syria	206,558
Romania	64,098	Turkey	125,612
Turkey	59,175	Libya	108,606
Jordan	44,281	Romania	81,527
Sudan	43,890	Ukraine	79,699
Singapore	42,983	Singapore	63,636
Lebanon	26,984	Jordan	44,676
Saudi Arabia	19,205	Sudan	38,561
Taiwan	18,436	Ivory Coast	35,549
U.K	6,544	Lebanon	28,098
<b>Total for Others</b>	513,862		812,522
<b>Others not listed</b>	256,426		268,778
<b>Grand Total</b>	770,288		1,081,300

## Stocks

Stocks for CY 2005 continue to be less than normal, as a result of an increase in exports for a second consecutive year. Stocks for CY 2006 are expected to continue at the same level given the anticipated same level in exports and stagnate production. It is estimated that current stocks stand at 200,000 metric tons.